

VZCZCXYZ0027
RR RUEHWEB

DE RUEHAM #3813/01 2561441
ZNR UUUUU ZZH
R 131441Z SEP 07
FM AMEMBASSY AMMAN
TO RUEHC/SECSTATE WASHDC 0310
INFO RUCNISL/ISLAMIC COLLECTIVE
RUCPDOG/DEPT OF COMMERCE WASHDC
RUEHRC/USDA WASHDC

UNCLAS AMMAN 003813

SIPDIS

SENSITIVE
SIPDIS

STATE FOR NEA/ELA

E.O. 12958: N/A
TAGS: [EAGR](#) [ECON](#) [KISL](#) [SOCI](#) [JO](#)
SUBJECT: KING CALLS FOR LOWER FOOD PRICES DURING RAMADAN

REF: AMMAN 3584

1. (SBU) Summary: Food prices have been rising dramatically in Jordan in the run-up to Ramadan. Merchants and animal breeders are citing rising fuel and feed costs, but government officials question whether merchants are taking advantage of increased consumption during Ramadan to reap greater profits. After criticism from the King, the government is responding by cutting costs on specific products within state-run stores and by launching open-air markets. The King's attention to rising food prices is politically important in a country where food accounts for 40 percent of families' budgets. End Summary.

Food Prices Rise

2. (U) In the past two weeks, poultry prices have increased 30 percent; dairy products have increased 7-25 percent; and potatoes have risen 60 percent to 51 cents a pound. Some Jordanian merchants have attributed the rise in prices to the doubling of feed prices in the past few weeks and increasing oil prices (Ref A). NOTE: While Jordan has a domestic chicken and sheep industry, the majority of its feed is imported. Feed prices have risen because of global demand and rising oil costs for transportation. END NOTE. These latest price increases are topic A in the public discourse coming on top of steadily increasing fuel and food costs as evidenced by recent annual inflation rates of over six percent.

3. (U) Some government officials, however, have insisted that the price increases are due to price-gouging by merchants taking advantage of the increase in consumption around Ramadan. NOTE: Ramadan started in Jordan this year on September 13. END NOTE. In 2006, a study conducted in Jordan by the National Society for Consumer Protection showed a 32 percent rise in prices in 37 commodities during the first week of Ramadan.

Government Intervention

5. (U) In a televised Cabinet meeting on September 11, King Abdullah reprimanded the Cabinet and tasked ministers to find ways to curb the rise in food prices. He added that he expected to see government measures within three days and called for taking measures against any merchants who manipulate prices. This development is being widely interpreted in Jordan as the final death knell for the al-Bakhit government and reignited speculation -- quelled by a cabinet reshuffling two weeks ago -- about the timing and personalities of a new government.

6. (U) In the meeting, Prime Minister Marouf al-Bakhit told the King the government had prepared a strategy to deal with the hikes. First, prices at the two state-run stores, the Civil Service Consumer Corporation (CCC) and the Military Consumer Corporation

(MCC), would be lowered. On September 12, the local Arabic dailies included a list of 60 specific staple food items available at these stores and their discounts - for instance two brands of tuna will be reduced by 25 percent and bulgur wheat by 10 percent. The average discount across all products is 28 percent. NOTE: CCC and MCC have been open to the public and run according to market forces since 2000 as a precondition to Jordan's accession to WTO. These stores compete with other retailers by having higher financial credibility, free access to state resources and an ability to enter into commercial deals on behalf of the state. END NOTE.

¶7. (U) Al-Bakhit also said the government would sponsor nightly markets during Ramadan to facilitate direct purchases by consumers of fruits and vegetables from farmers without middlemen. In addition, Minister of Industry and Trade (MOIT) Salem Khaza'aleh told the Jordan Times that the prices of dairy products, frozen meat, and live sheep will be reduced by 10 percent on September 12, under an agreement between the GOJ, meat importers, and dairy producers. MOIT will also launch an intensified inspection campaign to ensure fair pricing and has said that those found in violation of the ministry's instructions will be referred to court.

Comment

¶8. (SBU) While Ramadan is a month of fasting from sunrise to sunset for observant Muslims, it is also a month of feasting and increased entertaining - including iftar's and suhur's - in the evenings. Thus food sales and consumption typically increase during Ramadan. King Abdullah's comments were clearly aimed at a wider audience than the Cabinet to show the population that he understands the impact of rising prices in people's lives. This is particularly true because food represents 40 percent of the average Jordanian's spending, making worldwide and local increases in food costs particularly tough for Jordanian families to endure.

Visit Amman's Classified Website at
<http://www.state.sgov.gov/p/nea/ammman>

HALE